

Chief, Finance Division

Deputy Comptroller

General Ledger Account No. 362

REF : Memorandum to Technical Accounting Staff from Acting Chief, Finance Division dated 7 November 1955, same subject.

1. The Chief, Technical Accounting Staff provided the informal approval, referred to in the reference memorandum, for the establishment of Account No. 362. Upon further review of this account, as it is operated to record amounts withheld in the settlement of commercial contracts, it has been noted that the amounts recorded in this account are concurrently treated as expended appropriations. This practice represents an exception to the general procedures followed by this Agency and by other Government agencies operating under budgets developed on the concept of "obligations incurred", rather than "accrued" expenditures. Under the "obligations incurred" concept it is required that amounts reported as appropriation expenditures represent actual payments and by the same token that amounts reported as unliquidated obligations represent all obligations incurred which have not been liquidated by actual payments.

2. In the circumstances we see no basic justification to make this exception in Agency accounting and reporting practices. It is requested therefore that action be taken in the current month to discontinue the use of Account No. 362 and to close out the balances now in that account by reversing the original entries. Under current procedures this will result in appropriate adjustments in accounts Nos. 520 and 530, "Unliquidated Obligations" and "Expended Appropriations", respectively.

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TAS/HNL/mlc(17 August 1956)

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